

4. REPORTING

4.3 Fund Financial Statements

4.3.4 Proprietary Funds Financial Statements

4.3.4.10 The following are required fund financial statements for proprietary funds:

- Statement of net position,
- Statement of revenues, expenses, and changes in fund net position, and
- Statement of cash flows (see [Statement of Cash Flows](#)).

Proprietary funds are presented using the economic resources measurement focus and the full accrual basis of accounting. They are reported the same way as in the government-wide financial statements. However, internal service funds should be reported as a fund type (aggregated) in a separate column. Major enterprise funds are reported in separate columns and nonmajor enterprise funds are aggregated in a single column. A combined total column for all enterprise funds should be presented. By reporting the internal service funds separately from the proprietary funds, the information in the *Totals* column in these statements flows directly to the *Business-Type Activities* column on the government-wide statement of net position. The interfund eliminations within enterprise funds are not required.

Proprietary funds may choose instead of depreciating infrastructure, the modified approach. See [Infrastructure Reporting](#).

Proprietary Fund Statement of Net Position

4.3.4.20 Governments have the option of two reporting formats:

- 1) Statement of Net Position format
Assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, or
- 2) Balance Sheet format
Assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources plus net position.

4.3.4.30 Assets and liabilities should be presented in a classified format. This requires reporting assets and liabilities as either current or noncurrent. A one-year cut-off is typical when determining if assets are expected to be realized in cash or consumed and liabilities are expected to be paid. Current assets include: cash available from current operations, receivables, inventories, prepaid expenses, and investments, etc. Current liabilities include accounts payable, notes payable, amounts due to other funds, current portion of long-term debt, current portion of compensated absences, claims, and judgments, etc.

4.3.4.40 Any asset that normally would be available for use in operations but which use is restricted by externally enforceable constraints should be reported as restricted assets. Examples: cash held by a trustee in escrow for future debt service payments, assets that are restricted for the acquisition or construction of noncurrent assets, etc. Most of the restricted assets are noncurrent. However, restricted assets that will be used in current operations (e.g., certain grants, etc.) should be reported as current assets. Liabilities payable from restricted assets should be reported separately as current or noncurrent.

4.3.4.50 Governments have two options for presentation:

- 1) Single column presentation
In this presentation all activities are combined into one column.
- 2) Multiple column presentation
In this option each activity should be reported separately. All duplicating transactions should be eliminated. The elimination may be presented in a separate column on the face of the financial statements or in the notes. The government must also present a *total* column for all underlying activities.

4.3.4.60 The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is called net position. Net position should be reported in three components:

1. Net investment in capital assets
2. Restricted (listed by major restrictions)
3. Unrestricted

For classification of the net position refer to the [Net Position](#).

4.3.4.70 The account titles shown on the statement are for references and are sufficient for most local governments operations. The line items presented are an example and may need to be customized. The accounts listed are deemed to be at the appropriate level of detail for most reporting local governments' activities. Before deleting any lines make sure the local government does not have activity in that area. In some instances additional accounts may be required. Adjust the statement appropriately.

4.3.4.80 If amounts reported for enterprise funds differ¹ from those reported on government-wide financial statements in the business-type activities column, the government should present a summary reconciliation on the bottom of the proprietary funds statement of net position.

¹ The difference may be due to the internal service funds, which can be included in the business-type of activities in the government-wide statement of net position.

Statement of Net Position
Proprietary Funds
December 31, 20__

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Major Enterprise Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund(s)
ASSETS					
Current assets:					
Cash and cash equivalents					
Receivables, net					
Due from other governments					
Inventories					
<u>Total current assets</u>					
Noncurrent assets:					
Investments					
Investment in joint venture(s)					
Restricted assets					
Capital assets not being depreciated:					
Land					
Construction in progress					
Capital assets being depreciated:					
Improvements to land					
Buildings					
Equipment					
Intangible assets					
Less accumulated depreciation					
Total capital assets (net)					
<u>Total noncurrent assets</u>					
TOTAL ASSETS					
DEFERRED OUTFLOWS of RESOURCES					
Accumulated decrease in fair value of hedging derivatives					
Deferred loss on refunding					
Grants paid in advance					
TOTAL DEFERRED OUTFLOWS of RESOURCES					
LIABILITIES					
Current liabilities:					
Accounts payable					
Deposits					
Compensated absences					
Bonds, notes, and loans payable					
<u>Total current liabilities</u>					
Noncurrent liabilities:					
Compensated absences					
Bonds, notes, and loans payable					
<u>Total noncurrent liabilities</u>					
TOTAL LIABILITIES					

DEFERRED INFLOWS of RESOURCES					
Accumulated increase in fair value of hedging derivatives					
Deferred service concession arrangement receipts					
Deferred property tax					
Advance payments of property tax					
Advance payments of special assessments					
Deferred gain on refunding					
Grants received in advance					
TOTAL DEFERRED INFLOWS of RESOURCES					
NET POSITION					
Net investment in capital assets					
Restricted for _____					
Unrestricted					
TOTAL NET POSITION					
Some amounts reported for <i>business-type activities</i> in the statement of net position are different because ² _____					
Net position of business-type activities					

The notes to financial statements are an integral part of this statement.

² For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).

Statement of Revenues, Expenses, and Changes in Fund Net Position

4.3.4.90 There is a specific format for this statement:

Operating revenues (detailed)

Total operating revenues

Operating expenses (detailed)

Total operating expenses

Operating income (loss)

Nonoperating revenues and expenses (detailed)

Income before other revenues, expenses, gains, losses and transfers

Capital contributions (grants, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers

Increase (decrease) in net position

Net position – beginning of period

Net position – end of period

This is an all-inclusive format. All transactions (including capital contributions) that affect net position (i.e., balance sheet transactions) should be included. No amounts may be reported as direct addition to net position or as balance sheet transactions only. All transactions, including capital contributions³, additions to permanent funds, equity transactions involving joint ventures have to be reported in the statement of changes.

4.3.4.100 Revenues should be reported by major source. All revenues should be reported net of discounts and allowances (they should be disclosed in parenthesis or in the notes to the financial statements). Uncollectible amounts should not be reported as expense but as adjustments to revenue.

4.3.4.110 Revenues and expenses should distinguish between operating and nonoperating. Governments should establish their own policy for defining operating and nonoperating revenues and expenses and the policy should be disclosed in the notes to the financial statements.

4.3.4.120 Although there is not a specific definition for the operating or nonoperating revenues, the following revenues should be considered as nonoperating:

- Operating grants and contributions and grants and contributions that are not restricted to either operating or capital functions.
- Property or other taxes.
- Exchange-like transactions which are restricted for capital or financing purposes.
- Interest and dividends and realized and unrealized gains or losses on investments.
- Interest expense, debt issue expenses, and premium or discount on debt.

4.3.4.130 The government has to always consider the nature of the activity being reported before classifying the revenues on financial statements. Both operating and nonoperating expenses can be reported either at detailed (object) or function level.

³ Capital contribution include revenues received in the form of contributed capital assets, nonexchange grants and contributions restricted to capital purposes, fees and charges restricted to capital assets acquisition.

- 4.3.4.140 The government should present a summary reconciliation on the bottom of the statement of changes if the amounts reported for enterprise funds differ from those reported on government-wide financial statements in the business-type activities column. For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 20__

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Enterprise Fund	Major Enterprise Fund	Nonmajor Enterprise Fund	Totals	Internal Service Fund(s)
OPERATING REVENUES					
Charges for Services					
Miscellaneous					
Total Operating Revenues					
OPERATING EXPENSES					
Personal Services					
Debt Discount Amount					
Taxes					
Repairs and Maintenance					
Other Supplies and Expenses					
Insurance Claims and Expenses					
Depreciation					
Total Operating Expenses					
Operating Income (Loss)					
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Revenues					
Miscellaneous Revenues					
Interest Expense					
Gain/Loss on Sale of Capital Assets					
Total Nonoperating Revenues (Expenses)					
Income (Loss) before Contributions and Transfers					
CAPITAL CONTRIBUTIONS					
TRANSFERS-IN					
TRANSFERS-OUT					
Change in Net Position					
Total Net Position-Beginning					
Total Net Position-Ending					
Some amounts reported for <i>business-type activities</i> in the statement of activities are different because ⁴ _____					
Change in net position of business-type activities					

The notes to financial statements are an integral part of this statement.

⁴ For more details see [Conversion and Reconciliation between Government-Wide and Fund Financial Statements](#).